The Keep Student Loans Affordable Act of 2013

The *Keep Student Loans Affordable Act of 2013,* introduced by Senators Reed, Hagan, Franken, Harkin, Warren, Stabenow, Murray, Whitehouse, Durbin, Tom Udall, Klobuchar, Brown, Menendez, Sanders, Landrieu, Leahy, Shaheen, Pryor, and Schatz would extend and fully pay for an additional year of the current 3.4 percent interest rate on subsidized Federal Direct Stafford Loans, which is set to double on July 1. Once enacted, this legislation would set the interest rate for any subsidized Stafford loan made between July 1, 2013 and June 30, 2014 at 3.4 percent.

Student loan debt exceeds $1 trillion and is second only to mortgage debt for American families. With the average student graduating with more than $26,000 in student loans, now is not the time for the neediest students to incur even more debt.

Without swift Congressional action, in less than one week, more than seven million low and moderate-income students will have to pay an additional $1,000 for each loan. The *Keep Student Loans Affordable Act* will prevent this and protect students by ensuring that their interest rates remain low and affordable. Indeed, 60 percent of dependent subsidized loan borrowers come from families with incomes of less than $60,000, while 80 percent of independent subsidized loan borrowers come from families with incomes below $40,000. These are the students who least can afford a hike in the cost of their student loans.

Rather than rushing to overhaul the federal student loan program and leaving future students stuck with higher rates as the Republican plans would do, the *Keep Student Loans Affordable Act of 2013* will secure low interest rates for an additional year as Congress works on a long-term and sustainable approach for the federal student loan program that works for both students and taxpayers. And unlike proposals that would balance the budget on the backs of students by making future loans much more costly, this legislation will help ensure that college remains within reach for students who rely on federal loans to pay for their education.

The bill is fully paid for by closing a wasteful tax loophole described below.

Closing a Loophole for Tax-Deferred Accounts

Under current law, holders of IRAs and 401(k)-type accounts are required to begin taking taxable distributions from those accounts once they reach age 70-1/2. However, a loophole in the tax law allows taxpayers to stretch those distributions over many years if they leave their account to a very young beneficiary. When the account holder dies, the taxation of the account is then delayed as it is spread over the life of the beneficiary. The *Keep Student Loans Affordable Act of 2013* would require the retirement savings accounts to be distributed within five years of the death of the account holder, unless the beneficiary is within ten years of the account holder's age, an individual with special needs or disabled, a minor, or the account holder's spouse. *This provision saves taxpayers approximately $4.6 billion over ten years.*